

MACKINAC COUNTY HOUSING COMMISSION
MACKINAC COUNTY, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Mackinac County Housing Commission	County Mackinac County
Fiscal Year End June 30, 2007	Opinion Date December 28, 2007	Date Audit Report Submitted to State January 9, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

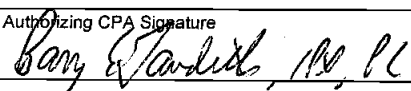
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Report on Compliance and Internal Controls in Accordance with GAS	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	Zip 49686
		License Number 11050	

MACKINAC COUNTY HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Mackinac County Housing Commission
Mackinac County, Michigan

I have audited the accompanying financial statements of the business-type activities of Mackinac County Housing Commission, Michigan, a component unit of Mackinac County, as of and for the year ended June 30, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Mackinac County Housing Commission, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mackinac County Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated December 28, 2007, on my consideration of Mackinac County Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 11, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Mackinac County Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bary E. Tardiff, CPA, PC

December 28, 2007

**Mackinac County Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Unaudited)**

As management of the Mackinac County Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Mackinac County Housing Commission's financial activities for the fiscal year ended June 30, 2007. This discussion and analysis letter of the Mackinac County Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of June 30, 2007 was \$1,490,151. The net assets decreased by \$93,142, a decrease of 5.88% from the prior year.

Revenues and contributions for the Commission were \$231,124 for the fiscal year ended June 30, 2007. This was a decrease of \$53,888 or 14.4% from the prior year.

Expenses for the Commission were \$324,266 for the fiscal year ended June 30, 2007. This was a decrease of \$25,267 or 14.0% from the prior year.

HUD operating grants were \$90,987 for the fiscal year ended June 30, 2007. This was an increase of \$14,257 or 18.6% over the prior year. Capital contributions were \$56,250 for the fiscal year ended June 30, 2007. This was a decrease of \$65,863 or 53.9% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental*

Mackinac County Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Information. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The Statement of Net Assets includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**Mackinac County Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)**

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Mackinac County Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$1,490,151 at the close of the fiscal year ended June 30, 2007 a decrease from \$1,583,293 in 2006. The decrease in net assets of \$93,142 was due to the change in net assets of \$93,142 for the fiscal year.

The unrestricted net assets were \$59,111 as of June 30, 2007. This amount may be used to meet the Commission's ongoing obligations. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

Mackinac County Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF NET ASSETS
JUNE 30,

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Current and other assets	\$ 88,036	\$ 56,080	\$ 31,956	56.70%
Capital assets	<u>1,431,040</u>	<u>1,556,104</u>	<u>(125,064)</u>	<u>(8.04)%</u>
Total Assets	<u>1,519,076</u>	<u>1,612,184</u>	<u>(93,108)</u>	<u>(5.78)%</u>
Current liabilities	28,176	20,590	7,586	36.84%
Noncurrent liabilities	<u>749</u>	<u>8,301</u>	<u>(7,552)</u>	<u>(90.98)%</u>
Total Liabilities	<u>28,925</u>	<u>28,891</u>	<u>34</u>	<u>.12%</u>
Net Assets:				
Invested in capital assets	1,431,040	1,556,104	(125,064)	(8.04)%
Unrestricted	<u>59,111</u>	<u>27,189</u>	<u>31,922</u>	<u>100.00%</u>
Total Net Assets	<u>\$1,490,151</u>	<u>\$1,583,293</u>	<u>\$ (93,142)</u>	<u>(5.88)%</u>

Total current assets increased by \$31,956, in large part, by a receivable of \$42,650 from HUD for a capital grant and the reduction of \$6,535 from HUD for operating subsidy from the prior fiscal year.

Total current liabilities increased by \$7,586, in part, due to this year's PILOT liability of \$4,413 not paid yet. Also, accounts payable increased by \$2,602 over the prior fiscal year.

Noncurrent liabilities decreased by \$7,552 because of paying off the Executive Director's accrued compensated absences in total.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings, equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

Mackinac County Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

Revenues:

As can be seen in the following table total revenues and contributions decreased by \$53,888. This decrease is due in large part by federal grants decreasing by \$51,606 from the prior fiscal year, because of funding changes in the operating subsidy and not as many capital fund grants being used as compared to the prior fiscal year. For fiscal year ending June 30, 2007, revenue generated by the Commission accounted for \$231,124 (or 31.9% of total revenue), while HUD contributions accounted for \$147,237 (or 63.7% of total revenue).

	<u>2007</u>	<u>2006</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Revenues and contributions				
Operating, nonoperating, capital contributions:				
Total Revenue	\$ 73,662	\$ 73,795	\$ (133)	(.2)%
Nondwelling rent	<u>91</u>	<u>91</u>	<u>91</u>	100.0%
Total PHA generated Revenue	73,753	73,795	(42)	(.1)%
HUD operating grants	90,987	76,730	14,257	18.6%
Capital contributions	56,250	122,113	(65,863)	(53.9)%
Other income	9,067	10,534	(1,467)	(13.9)%
Interest income	<u>1,067</u>	<u>1,840</u>	<u>(773)</u>	<u>(42.0)%</u>
Total Revenues and Contributions	<u>231,124</u>	<u>285,012</u>	<u>(53,888)</u>	<u>(18.9)%</u>
Expenses				
Personal services	104,909	125,910	(21,001)	(16.7)%
Utilities	29,626	29,018	608	2.1%
Operations and maintenance	29,062	35,665	(6,603)	(18.5)%
Insurance	13,048	13,382	(334)	(2.5)%
Other supplies and expenses	18,144	16,805	1,339	8.0%
Payments in lieu of taxes	4,413	4,478	(65)	(1.5)%
Depreciation	<u>125,064</u>	<u>124,275</u>	<u>789</u>	<u>(.6)%</u>
Total Expenses	<u>324,266</u>	<u>349,533</u>	<u>(25,267)</u>	<u>(7.2)%</u>
Change in net assets	(93,142)	(64,521)	(28,621)	
Beginning net assets	<u>1,583,293</u>	<u>1,647,814</u>	<u>(64,521)</u>	
Ending net assets	<u>\$1,490,151</u>	<u>\$1,583,293</u>	<u>\$ (93,142)</u>	

Mackinac County Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

Expenses:

Total Expenses for fiscal year ending June 30, 2006 were \$349,533 while for the fiscal year ending June 30, 2007 the total expenses were \$324,266, or a \$25,267 decrease. This represents a 7.2% decrease in our operating costs. The expenses decreased, in large part, because of wages and employee benefits decreasing by \$21,001 due to hours reduced for the office staff and the pension plan ending for the executive director beginning March 1, 2007. Ordinary maintenance and operations expenses were \$3,995, contract costs for maintenance were \$971, and extraordinary maintenance expenses were \$1,637 less than the prior year. Other supplies and expenses increased by \$1,339, in part, due to legal costs of \$519, telephone expenses increased by \$146 and accounting fees increased by \$666 over the prior year.

The following represents changes in Federal Assistance received:

	<u>06/30/07</u>	<u>06/30/06</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Public Housing Operating Subsidy	\$ 90,987	\$ 76,730	\$ 14,257	18.59%
Capital Fund Program Grants	<u>56,250</u>	<u>122,113</u>	<u>(65,863)</u>	<u>(53.94)%</u>
Total	<u>\$ 147,237</u>	<u>\$198,843</u>	<u>\$ (51,606)</u>	<u>(25.95)%</u>

The subsidy for Public Housing increased due to the HUD pro-ration factor and also because rents had decreased from 6/30/05 to 6/30/06 so the subsidy should increase.

The capital fund program funding for 6/30/06 included 2003, 2004, and 2005 CFP grants. The capital fund program funding was for 6/30/07 is for only the 2005 CFP grant. The amount of funding for each grant was \$66,541, \$77,865, and \$62,101, respectively for the 2003, 2004, and 2005 capital grants, but are not necessarily spent during one fiscal year.

Budget Analysis:

A Low Rent Public Housing Operating Budget for FYE 6/30/07 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

Mackinac County Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

OPERATIONAL HIGHLIGHTS

The Mackinac County Housing Commission provided the following housing for low-income elderly and low-income families:

	June 30, 2007	June 30, 2006
Low Rent Public Housing	48	48

During FYE 6/30/07, Mackinac County Housing Commission maintained a lease-up rate of 91.3% in its Public Housing program. This lease-up rate is under the HUD-prescribed target of 97%. We are working to increase our lease-up rates.

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

A fundamental finding of the Harvard Cost Study is that Public Housing Agencies have been, and continue to be, woefully underfunded by HUD. Yet, due to the federal budget crunch, HUD continues to only pay us only a portion of the subsidy that we are entitled to. Since we fully expect this inadequate funding pattern to continue it is inevitable that cuts in services to our residents will have to be made.

We have improved financially from the prior year in our financial indicators as follows:

1. The current ratio stayed the same;
2. The number of months expendable fund balance improved;
3. Tenant receivable outstanding improved;
4. Occupancy loss improved; and
5. Expense management/utility consumption improved.

We expect that our personnel costs should continue to decrease for the next fiscal since the reductions didn't begin until the ninth month of the current fiscal year.

We don't know of any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes).

Mackinac County Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

CAPITAL ASSETS

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
JUNE 30,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 37,818	\$ 37,818	\$
Buildings	2,724,583	2,724,583	
Furniture, equipment and machinery - dwellings	54,327	54,327	
Furniture, equipment and machinery - administration	84,928	84,928	
Building improvements	<u>824,432</u>	<u>824,432</u>	
	3,726,088	3,726,088	
Accumulated depreciation	<u>(2,295,048)</u>	<u>(2,169,984)</u>	<u>(125,064)</u>
Total	<u>\$1,431,040</u>	<u>\$1,556,104</u>	<u>\$(125,064)</u>

During FYE 6/30/07, we used all of our capital fund grants for operations, therefore, we did not spend any money on capital assets other than maintenance costs. We expect that for the FYE 6/30/08 the capital grant monies will be used for operations again.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that, in the short term, we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

Mackinac County Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

George L. Martindale, Executive Director
Mackinac County Housing Commission
N9174 Kozy Street
Curtis, MI 49820-9628

FINANCIAL STATEMENTS

MACKINAC COUNTY HOUSING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2007
=====

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 37,531
Receivables	44,899
Prepaid expenses	<u>5,606</u>
Total Current Assets	<u>88,036</u>
Capital Assets:	
Land	37,818
Buildings	2,724,583
Equipment	139,255
Building improvements	<u>824,432</u>
	3,726,088
Less: accumulated depreciation	<u>(2,295,048)</u>
Net Capital Assets	<u>1,431,040</u>
Total Assets	<u>\$ 1,519,076</u>

See notes to financial statements

MACKINAC COUNTY HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2007
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LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 14,965
Tenant security deposit liability	4,421
Accrued expenses	2,356
Deferred revenues	<u>6,434</u>
Total Current Liabilities	28,176
Noncurrent liabilities:	
Accrued compensated absences	<u>749</u>
Total Liabilities	<u>28,925</u>
Net Assets:	
Invested in capital assets	1,431,040
Unrestricted net assets	<u>59,111</u>
Total Net Assets	<u>1,490,151</u>
Total Liabilities and Net Assets	<u>\$ 1,519,076</u>

See notes to financial statements

MACKINAC COUNTY HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

Year Ended June 30, 2007
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OPERATING REVENUES:

Dwelling rent	\$ 73,662
Nondwelling rent	<u>91</u>

Total operating revenues	<u>73,753</u>
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OPERATING EXPENSES:

Administration	84,433
Utilities	29,626
Ordinary maintenance and operation	63,275
General expenses	21,868
Depreciation	<u>125,064</u>

Total operating expenses	<u>324,266</u>
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Operating income(loss)	<u>(250,513)</u>
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NONOPERATING REVENUES:

Investment interest income	1,067
Other income	9,067
Operating grants	<u>147,237</u>

Total nonoperating revenues	<u>157,371</u>
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Change in net assets	(93,142)
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Net assets, beginning	<u>1,583,293</u>
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Net assets, ending	<u>\$ 1,490,151</u>
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See notes to financial statements

MACKINAC COUNTY HOUSING COMMISSION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 75,686
Cash payments to other suppliers of goods and services	(81,096)
Cash payments to employees for services	<u>(117,109)</u>
Net cash (used) by operating activities	<u>(122,519)</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES:

Tenant security deposits	(337)
Operating grants	116,122
Other revenue	<u>9,067</u>
Net cash provided by noncapital financing activities	<u>124,852</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments reduced	28,610
Receipts of interest and dividends	<u>1,167</u>
Net cash provided by investing activities	<u>29,777</u>

Net increase(decrease) in cash	32,110
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Cash and cash equivalents, beginning	<u>5,421</u>
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Cash and cash equivalents, ending	<u>\$ 37,531</u>
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MACKINAC COUNTY HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2007
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RECONCILIATION OPERATING INCOME(LOSS)
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:

Operating income(loss)	\$(250,513)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	125,064
Bad debt allowance adjustment	(218)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	1,377
Prepaid expenses	6,400
Increase (decrease) in liabilities:	
Accounts payable	2,602
Accrued wage/payroll taxes payable	(1,833)
Accrued compensated absences	(10,367)
Accounts payable-PILOT	4,413
Deferred revenues	<u>556</u>
Net cash (used) by operating activities	<u>\$(122,519)</u>

See notes to financial statements

MACKINAC COUNTY HOUSING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2007

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NOTE 1: Summary of Significant Accounting Policies

The Mackinac County Housing Commission (the Housing Commission) is a component unit of Mackinac County, a Michigan Township. The Housing Commission is a Public Housing Agency created by Mackinac County on August 11, 1970, consisting of a five member board appointed by the County Board and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
---------------------	--------------------

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets and cash flows. All assets and liabilities (whether current

1(c) Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

1(d) Assets, Liabilities, and Equity (Continued)

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$25 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Furniture, equipment and machinery	5 -10 years
Building improvements	10 years

1(d) Assets, Liabilities, and Equity (Continued)

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

1(e) Revenues, Expenditures, and Expenses (Continued)

Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Capital Fund Program	Modernization

For the year ended June 30, 2007, the Housing Commission complied, in all material respects, with these revenue restrictions.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at June 30, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 37,957	\$ 37,957	\$	\$	\$ 37,531

Investments

The Housing Commission does not have any investments.

3(a) Cash and Investments (Continued)

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Carrying amount of deposits	<u>\$ 37,531</u>
Cash and investments:	
Enterprise activities	\$ 37,957
Enterprise activities - deposits in transit	557
Enterprise activities - checks written in excess of deposits	(983)
Total	<u>\$ 37,531</u>

3(b) Receivables

Receivables detail at June 30, 2007, is as follows:

HUD	\$ 42,650
Tenant accounts receivable	2,890
Allowance for doubtful accounts	(641)
	<u>\$ 44,899</u>

3(c) Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>06/30/06</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>06/30/07</u>
Low Rent Program				
Land	\$ 37,818	\$	\$	\$ 37,818
Buildings	2,641,262	77,706		2,718,968
Furniture, equip. & machinery - dwellings	54,327			54,327
Furniture, equip. & machinery - administration	70,088	3,430		73,518
Building improvements	<u>824,432</u>	<u></u>	<u></u>	<u>824,432</u>
	3,627,927	<u>\$ 81,136</u>	<u>\$</u>	3,709,063
Less accumulated depreciation	<u>(2,164,967)</u>	<u>\$ (126,270)</u>	<u>\$</u>	<u>(2,291,237)</u>
Total	<u>\$1,462,960</u>			<u>\$1,417,826</u>

3(c) Capital Assets (Continued)

	<u>Balance 6/30/06</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 6/30/07</u>
Capital Fund Program				
Buildings	\$ 83,321	\$	\$ (77,706)	\$ 5,615
Furniture, equip. & machinery - administration	<u>14,840</u>		<u>(3,430)</u>	<u>11,410</u>
	98,161	<u>\$</u>	<u>\$ (81,136)</u>	17,025
Less accumulated depreciation	<u>(5,017)</u>	<u>\$ (2,656)</u>	<u>\$ 3,862</u>	<u>(3,811)</u>
Total	<u>\$ 93,144</u>			<u>\$ 13,214</u>
Combined Totals				<u>\$1,431,040</u>

3(d) Accounts Payable

Payable detail at June 30, 2007, is as follows:

Accounts payable - vendors	\$ 6,075
Accounts payable - other government-PILOT	<u>8,890</u>
	<u>\$ 14,965</u>

3(e) Accrued Expenses

Accrued expense detail at June 30, 2007, is as follows:

Accrued compensated absences-current portion	<u>\$ 2,356</u>
--	-----------------

3(f) Non-current Liabilities

As of June 30, 2007, the non-current liabilities are comprised of the following:

Accrued compensated absences - noncurrent portion	<u>\$ 749</u>
--	---------------

3(g) Interprogram Transactions and Balances

Operating Transfers

There was an operating transfer of \$56,250 from the capital fund program to the low rent program during the fiscal year ended June 30, 2007.

Interprogram Receivable/Payable

Low Rent Program	\$ 42,650
Low Rent Program	(5,000)
Capital Fund Program	5,000
Capital Fund Program	<u>(42,650)</u>
	<u>\$</u>

NOTE 4: Other Notes

4(a) Employee Retirement Plan

Mackinac County Housing Commission participates in the Mackinac County's pension plan, the Municipal Employees Retirement System, (MERS). MERS is a Defined Contribution Program which operates within the Michigan Department of Management and Budget, Bureau of Retirement Systems. The pension covers all eligible full-time employees and requires a minimum contribution by the employee. Since the Housing Commission does not have any full-time employees there was not a contribution made during the fiscal year, except for \$7,974 to payoff the Executive Director's retirement amount.

4(c) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance from Housing Authority Risk Retention Group (HARRG).
b. Injuries to employees (workers' compensation)	Purchased insurance from Accident Fund Insurance Co.
c. Physical property loss and natural disasters	Purchased commercial insurance from Housing Insurance Services.
d. Liability	Purchased commercial insurance from HARRG.
d. Health and life	Included in the County's plan.
e. Auto	Purchased insurance from State Farm.
f. Fidelity bond	Purchased insurance from State Farm.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(d) Commitments and Contingencies

Commitments - Construction

At June 30, 2007, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2005 CFP	\$ <u>62,101</u>	\$ <u>47,025</u>

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4(e) Prior Period Adjustments, Equity Transfers and Correction of Errors

Low Rent Program

Transfer completed 501-03 CFP to Low Rent	\$ 31,423
Transfer completed 501-04 CFP to Low Rent	<u>45,851</u>
	<u>\$ 77,274</u>

Capital Fund Program

Transfer completed 501-03 CFP to Low Rent	\$ (31,423)
Transfer completed 501-04 CFP to Low Rent	<u>(45,851)</u>
	<u>\$ (77,274)</u>

SUPPLEMENTARY INFORMATION

MACKINAC COUNTY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM

June 30, 2007

=====

C-8046	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

ASSETS

Current assets:

Cash and cash equivalents	\$	37,531	\$
Receivables:			
HUD			42,650
Tenants-dwelling units		2,890	
Allowance for doubtful accounts	(641)	
Prepaid expenses		5,606	
Due from other programs		<u>42,650</u>	<u>5,000</u>
Total current assets		<u>88,036</u>	<u>47,650</u>

Capital assets:

Land		37,818	
Buildings		2,718,968	5,615
Equipment		127,845	11,410
Building improvements		<u>824,432</u>	
		3,709,063	17,025
Less accumulated depreciation	(<u>2,291,237</u>)	(<u>3,811</u>)
Net capital assets		<u>1,417,826</u>	<u>13,214</u>
Total Assets	\$	<u>1,505,862</u>	\$ <u>60,864</u>

Totals

\$ 37,531

42,650

2,890

(641)

5,606

47,650

135,686

37,818

2,724,583

139,255

824,432

3,726,088

(2,295,048)

1,431,040

\$ 1,566,726

MACKINAC COUNTY HOUSING COMMISSION
 COMBINING STATEMENT OF NET ASSETS
 BY PROGRAM (CONTINUED)
 June 30, 2007

=====

	C-8046 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 14,965	\$
Tenant security deposit liability	4,421	
Accrued expenses	2,356	
Deferred revenues	1,434	5,000
Due to other programs	<u>5,000</u>	<u>42,650</u>
Total current liabilities	28,176	47,650
Noncurrent liabilities:		
Accrued compensated absences	<u>749</u>	<u></u>
Total liabilities	<u>28,925</u>	<u>47,650</u>
Net Assets:		
Invested in capital assets	1,417,826	13,214
Unrestricted net assets	<u>59,111</u>	<u></u>
Total net assets	<u>1,476,937</u>	<u>13,214</u>
Total Liabilities and Net Assets	<u>\$1,505,862</u>	<u>\$ 60,864</u>

Totals

\$ 14,965
4,421
2,356
6,434
47,650

75,826

749

76,575

1,431,040
59,111

1,490,151

\$ 1,566,726

MACKINAC COUNTY HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM**
 Year Ended June 30, 2007

=====

	C-8046 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 73,662	\$
Nondwelling rent	<u>91</u>	<u> </u>
Total operating revenues	<u>73,753</u>	<u> </u>
OPERATING EXPENSES:		
Administration	84,433	
Utilities	29,626	
Ordinary maintenance and operation	63,275	
General expenses	21,868	
Depreciation	<u>122,408</u>	<u>2,656</u>
Total operating expenses	<u>321,610</u>	<u>2,656</u>
Operating income(loss)	<u>(247,857)</u>	<u>(2,656)</u>
NONOPERATING REVENUES:		
Operating transfers in(out)	56,250	(56,250)
Investment interest income	1,067	
Other income	9,067	
Operating grants	<u>90,987</u>	<u>56,250</u>
Total nonoperating revenues	<u>157,371</u>	<u> </u>
Change in net assets	(90,486)	(2,656)
Prior period adjustments, equity transfers and correction of errors	77,274	(77,274)
Net assets, beginning	<u>1,490,149</u>	<u>93,144</u>
Net assets, ending	<u>\$1,476,937</u>	<u>\$ 13,214</u>

Totals

\$ 73,662
91

73,753

84,433
29,626
63,275
21,868
125,064

324,266

(250,513)

1,067
9,067
147,237

157,371

(93,142)

1,583,293

\$ 1,490,151

MACKINAC COUNTY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended June 30, 2007

=====

	C-8046 Low Rent Program 14.850a	Capital Fund Program 14.872
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 75,686	\$
Cash payments to other suppliers of goods and services	(81,096)	
Cash payments to employees for services	(117,109)	
Net cash (used) by operating activities	(122,519)	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interprogram due from(to)	(37,650)	37,650
Operating transfers in(out)	56,250	(56,250)
Tenant security deposits	(337)	
Operating grants	97,522	18,600
Other revenue	9,067	
Net cash provided by noncapital financing activities	124,852	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for capital acquisitions		
Net cash (used) by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments reduced	28,610	
Receipts of interest and dividends	1,167	
Net cash provided by investing activities	29,777	
Net increase(decrease) in cash	32,110	
Cash and cash equivalents, beginning	5,421	
Cash and cash equivalents, ending	\$ 37,531	\$

Totals

\$ 75,686

(81,096)

(117,109)

(122,519)

(337)

116,122

9,067

124,852

28,610

1,167

29,777

32,110

5,421

\$ 37,531

MACKINAC COUNTY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)
Year Ended June 30, 2007

=====

C-8046	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED BY
OPERATING ACTIVITIES:**

Operating income(loss)	\$ (247,857)	\$ (2,656)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	122,408	2,656
Bad debt allowance adjustment	(218)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	1,377	
Prepaid expenses	6,400	
Increase (decrease) in liabilities:		
Accounts payable	2,602	
Accrued wage/payroll taxes payable	(1,833)	
Accrued compensated absences	(10,367)	
Accounts payable-PILOT	4,413	
Deferred revenues	<u>556</u>	
Net cash (used) by operating activities	<u>\$ (122,519)</u>	<u>\$</u>

Totals

\$ (250,513)

(125,064
218)

1,377
6,400

2,602

(1,833)
(10,367)
4,413
556

\$ (122,519)

MACKINAC COUNTY HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended June 30, 2007
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 90,987
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2007	Capital Fund Program	14.872	<u>56,250</u>
	Total		<u>\$ 147,237</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

MACKINAC COUNTY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2007

FDS Line Item No.		C-8046 Low Rent Program 14.850a	Capital Fund Program 14.872
ASSETS			
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 33,110	\$
114	Cash-tenant security deposits	<u>4,421</u>	
100	Total cash	<u>37,531</u>	
	Receivables:		
122	A/R-HUD other projects		42,650
126	A/R-tenants-dwelling rents	2,890	
126.1	Allowance for doubtful accounts	<u>(641)</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>2,249</u>	<u>42,650</u>
	Other Current Assets:		
142	Prepaid expenses and other assets	5,606	
144	Interprogram due from	<u>42,650</u>	<u>5,000</u>
	Total other current assets	<u>48,256</u>	<u>5,000</u>
150	Total current assets	<u>88,036</u>	<u>47,650</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	37,818	
162	Buildings	2,718,968	5,615
163	Furn, equip & mach-dwellings	54,327	
164	Furn, equip & mach-admin.	73,518	11,410
165	Building improvements	824,432	
166	Accumulated depreciation	<u>(2,291,237)</u>	<u>(3,811)</u>
160	Total fixed assets, net of accumulated depreciation	<u>1,417,826</u>	<u>13,214</u>
180	Total noncurrent assets	<u>1,417,826</u>	<u>13,214</u>
190	Total Assets	<u>\$ 1,505,862</u>	<u>\$ 60,864</u>

Totals

\$ 33,110
4,421

37,531

42,650
2,890
(641)

44,899

5,606
47,650

53,256

135,686

37,818
2,724,583
54,327
84,928
824,432
(2,295,048)

1,431,040

1,431,040

\$ 1,566,726

MACKINAC COUNTY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2007
 =====

FDS Line Item No.		C-8046 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 6,075	\$
322	Accrued compensated absences- current portion	2,356	
333	Accounts payable-other government	8,890	
341	Tenant security deposits	4,421	
342	Deferred revenues	1,434	5,000
347	Interprogram due to	<u>5,000</u>	<u>42,650</u>
310	Total current liabilities	28,176	47,650
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>749</u>	
300	Total liabilities	<u>28,925</u>	<u>47,650</u>
	Net Assets:		
508.1	Invested in capital assets	<u>1,417,826</u>	<u>13,214</u>
508	Total invested in capital assets	1,417,826	13,214
512.1	Unrestricted net assets	<u>59,111</u>	
513	Total Net Assets	<u>1,476,937</u>	<u>13,214</u>
600	Total Liabilities and Net Assets	<u>\$ 1,505,862</u>	<u>\$ 60,864</u>

Totals

\$ 6,075

2,356

8,890

4,421

6,434

47,650

75,826

749

76,575

1,431,040

1,431,040

59,111

1,490,151

\$ 1,566,726

MACKINAC COUNTY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2007
 =====

FDS Line Item No.		C-8046 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 73,662	\$
704	Tenant revenue-other	<u>91</u>	
705	Total tenant revenue	73,753	
706	HUD PHA grants	90,987	56,250
711	Investment income-unrestricted	1,067	
715	Other income	<u>9,067</u>	
700	Total revenue	<u>174,874</u>	<u>56,250</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	60,443	
912	Auditing fees	2,650	
914	Compensated absences	1,713	
915	Employee benefit contributions-adm.	8,540	
916	Other operating-administrative	11,087	
	Utilities:		
932	Electricity	6,464	
933	Gas	4,394	
934	Fuel	18,768	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	27,627	
942	Ordinary maint & oper-mat'ls & other	4,026	
943	Ordinary maint & oper-contract costs	25,036	
945	Employee benefit contributions	6,586	
	General expenses:		
961	Insurance premiums	13,048	
963	Payments in lieu of taxes	4,413	
964	Bad debt-tenant rents	<u>4,407</u>	
969	Total operating expenses	<u>199,202</u>	
970	Excess operating revenue over operating expenses	<u>(24,328)</u>	<u>56,250</u>

<u>Totals</u>	
\$	73,662
	<u>91</u>
	73,753
	147,237
	1,067
	<u>9,067</u>
	<u>231,124</u>

60,443
2,650
1,713
8,540
11,087

6,464
4,394
18,768

27,627
4,026
25,036
6,586

13,048
4,413
4,407

199,202

31,922

MACKINAC COUNTY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2007

=====

FDS Line Item No.		C-8046 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
974	Depreciation expense	<u>122,408</u>	<u>2,656</u>
	Total other expenses	<u>122,408</u>	<u>2,656</u>
900	Total expenses	<u>321,610</u>	<u>2,656</u>
	Other Financing Sources(Uses):		
1001	Operating transfers in(out)	<u>56,250</u>	<u>(56,250)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(90,486)	(2,656)
1103	Beginning Net Assets	1,490,149	93,144
1104	Prior period adjustments, equity transfers and correction of errors	<u>77,274</u>	<u>(77,274)</u>
	Ending Net Assets	<u>\$ 1,476,937</u>	<u>\$ 13,214</u>

Totals

125,064

125,064

324,266

(93,142)

1,583,293

\$ 1,490,151

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Mackinac County Housing Commission
Mackinac County, Michigan

I have audited the financial statements of the business-type activities of Mackinac County Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2007, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated December 28, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Mackinac County Housing Commission
Page Two

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Sandvik, CPA, PC

December 28, 2007

MACKINAC COUNTY HOUSING COMMISSION
SCHEDULE OF FINDINGS
June 30, 2007
=====

SECTION I - FINANCIAL STATEMENT FINDINGS

None

SECTION II - FEDERAL AWARD FINDINGS

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-1: Year Ended June 30, 2007

Condition and Criteria: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Effect: It is difficult to determine if the tenants are eligible for the program without proper and complete documentation.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Population and Items Tested: We selected five public housing files were selected for us to test by the Executive Director of the Housing Commission.

We found the following exceptions in the documentation in the tenant files:

	<u># of Exceptions</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	0
3. Incorrect Verification of Income	1
4. Incorrect Verification of Expenses	1
5. Incorrect Verification of Assets	2
6. Inspection Report for fiscal year is missing or incorrect	0
7. Lease missing or incorrect	0
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	0
10. Copy of Proof of Social Security Number Verification missing	0
11. Worksheet for HUD-50058 missing or incorrect	1
12. Flat Rent/Income Based Rent Choice missing or incorrect	5
13. Notice of Rent Adjustment missing or incorrect	1
14. Criminal Background Check not done, not documented, or it was in the file	5
15. Declaration of 214 Status missing or incorrect	0
16. Check for Previous Eviction from Public Housing not done or incorrect	5
17. Annual Family Composition Review missing or incorrect	1
18. Annual Review missing or incorrect	0
Total	<u>22</u>

MACKINAC COUNTY HOUSING COMMISSION
SCHEDULE OF FINDINGS (CONTINUED)
June 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-1 (continued): Year Ended June 30, 2007

Population and Items Tested (continued):

Out of a possible 90, there were 22 exceptions from this test. This represents an exception rate of 24.44%.

Auditor's Recommendation: It is recommended that the Housing Commission staff continue the process of correcting the tenant files where possible.

The following is a short summary of exceptions:

<u>File</u>	<u>Client Number</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	29	x	x	x					x	
2	02	x	x						x	
3	43	x	x	x					x	
4	03	x	x	x					x	
5	17	x	x						x	
Number of Hits		<u>5</u>	<u>5</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>0</u>
Percentage of Hits		<u>100%</u>	<u>100%</u>	<u>60%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program

MACKINAC COUNTY HOUSING COMMISSION
SCHEDULE OF FINDINGS (CONTINUED)
June 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-2: Year Ended June 30, 2007

Condition and Criteria: During testing of the tenant files, it was discovered that there was no evidence available that criminal background checks are being done.

Effect: Ineligible tenants may be in the program and tenant's safety could be at risk.

Cause: The staff member in charge of this program did not perform the background checks or did not have documentation in the tenant files to support that they were done.

Population and Items Tested: Out of the five files tested, none of the five had supporting documentation. This represents an exception rate of 100%.

Auditor's Recommendation: It is recommended that the Housing Commission obtain criminal sexual background checks and general background checks when appropriate in the future. Documentation should be retained that supports that they were done when appropriate. Criminal background checks that show a record must be destroyed once the time for a challenge has passed. Alternate documentation such as a housing commission form documenting that the required checks have been done should be retained.

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-3: Year Ended June 30, 2007

Condition and Criteria: During testing of the tenant files, it was discovered that a proper check for previous eviction from public housing was not conducted.

Effect: Ineligible tenants may be in the program.

Cause: The staff in charge of this program did not perform the checks or there was no evidence that they were done.

Population and Items Tested: Out of the five files tested, none of the five had the check performed. This represents an exception rate of 100%.

Auditor's Recommendation: It is recommended that the Housing Commission perform a check for previous evictions from public housing where appropriate in the future.

MACKINAC COUNTY HOUSING COMMISSION
SCHEDULE OF FINDINGS (CONTINUED)
June 30, 2007

=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-4: Year Ended June 30, 2007

Condition and Criteria: During testing of the tenant files, it was discovered of the tenant's choice of flat rent versus income based rent was missing in the tenant files.

Effect: Tenants may have been charged incorrect rents, tenants may not be aware of their rights, and tenants were not given a chance to select income based or flat rent.

Cause: The staff member in charge of this program did not obtain any documentation from the tenants documenting their choice as required annually.

Population and Items Tested: Out of the five files tested, none of the five had any of the documentation. This represents an exception rate of 100%.

Auditor's Recommendation: It is recommended that the Housing Commission document the tenant's annual written choice of flat rent or income based rent.